

MINUTES – MAY 19, 2010

The Caswell County Board of Commissioners reconvened its meeting at the Historic Courthouse in Yanceyville, North Carolina at 3:00 p.m. on Wednesday, May 19, 2010. Members present: George W. Ward, Jr., Chairman, Kenneth D. Travis, Vice-Chairman, William E. Carter, Nathaniel Hall, Jeremiah Jefferies, and Gordon G. Satterfield. Absent: Erik D. Battle. Also present: Kevin B. Howard, County Manager and Gwen Y. Vaughn, Finance Director. Wanda P. Smith, Clerk to the Board, recorded the minutes.

MOMENT OF SILENT PRAYER

Chairman Ward opened the meeting with a Moment of Silent Prayer.

PRESENTATION OF PROPOSED BUDGET FOR FISCAL YEAR 2010-2011

Mr. Kevin B. Howard, County Manager, presented the Proposed Budget for Caswell County for Fiscal Year 2010-2011.

The following Budget Overview was provided to the Board.

BUDGET OVERVIEW

As the County Manager and Finance Director of Caswell County, one of our primary responsibilities is to prepare and submit a balanced budget document to the Board of Commissioners.

The recommended budget has been prepared in accordance with the NC Local Government Budget & Fiscal Control Act. It reflects a great amount of input and assistance from a variety of sources inclusive of county staff, administrators of the Board of Education and local governmental agencies funded either wholly or in part by the county, along with private sector resources.

County government department managers routinely investigate, pursue and implement innovations and efficiencies aimed at improving the effectiveness of services and enhancing service options. The county remains focused on the pursuit of viable alternative approaches to service delivery as opportunities occur. We accept the challenge of doing business better and more efficiently as an achievable goal.

Throughout this budget, priorities are recommended that address short term goals while also acknowledging significant strategic long term commitments. An honest variance in opinions is inevitable whenever priorities are considered and adopted. The Board of Commissioners retains the final decision in the allocation of resources and establishment of budget priorities.

The following is a list of key points in the proposed budget.

- ❑ The total recommended budget is \$25,827,126, an increase of 2.32% over FY 2009-2010 adopted budget. The general fund budget is \$20,924,170 or .9350% more than FY 2009-2010 adopted budget.
- ❑ The proposed budget includes a property tax increase of 4.1 cents. The current tax levy is 62.9 cents per \$100 of valuation. The proposed budget increases to 67.0 cents per \$100 valuation; an increase of \$473,653. The proposed tax increase is based on the change in tax valuation; a reduction of \$24,000,000 from the estimated taxable valuation of FY 2009-2010.
- ❑ The budget is based largely on current salaries, benefits, mandated services and operation expense. For the second fiscal year, there is no cost of living increase included in this proposal.
- ❑ The general fund budget proposal does not include a contingency fund. Additionally, the proposal includes \$200,000 appropriated fund balance.
- ❑ Local Governmental Employees' Retirement System – effective July 1, 2010, the employer contribution rates payable on the covered payroll of employees who are members of the Retirement System increased 1.55%. The county contribution for general fund is estimated to increase by \$135,517 or 38.14%.
- ❑ Risk management cost is a significant fixed cost included in the proposed budget.
 1. Group health premiums increased 6.2%; a \$79,762 over FY 2009-2010. The structure of the health insurance policy remained the same. Additionally, health insurance payments increased approximately \$41,400 for retirees.
 2. Workers compensation premium decreased by \$5,044 from FY 2009-2010.
 3. Liability and property premium decreased by \$5,778 from FY 2009-2010.
 4. The County participates in the North Carolina Association of County Commissioners (NCACC) pool. The multi-pool cost savings is \$10,971.
- ❑ Public Health - the proposed budget includes a general fund contribution of \$288,133; a 6.58% decrease from FY 2009-2010. Also included is a total of \$238,294 public health fund balance appropriation.
- ❑ Department of Social Services – the proposed budget includes a general fund contribution of \$1,086,540 or 5.05% increase from FY 2009-2010.

Highlights of the Proposed Fiscal Year 2010-2011 Budget

The proposed budget increases the property tax rate by 4.1 cents from 67.2 cents to 67.0 cents per \$100 valuation.

The general reappraisal of real property for Caswell County occurs once every four years. To remain on the four-year cycle, the next revaluation will become effective January 1, 2012.

The calculated tax base for FY 2010-2011 for Caswell County is \$1,434,000,000. The calculated tax levy for the upcoming fiscal year is \$9,224,449. The collection rated is 96.01%.

Revenues

Revenue collections used to balance the current fiscal year 2010 budget have under-performed our conservative projections adopted last year. Only modest changes are expected and proposed for the next twelve months, as we move toward economic recovery.

Property taxes, sales taxes, fees for services, and intergovernmental revenue comprise the main revenue sources where expected variations occur.

<i>Revenues</i>	<i>Changes from 2009-2010 Adopted Budget</i>
Property tax levy	\$ 473,653
Sales taxes	\$ (82,292)
Fees & services	\$ (89,673)
Intergovernmental	\$ (81,541)

The **tax base** is projected to be \$9.2 million, a 5.41% increase from the FY 2009-2010 adopted budget.

Projected **sales tax** revenue is at \$2,168,260 for FY 2009-2010. Sales tax is budgeted very conservatively and reflects a 3.8% decrease from FY 2009-2010 adopted budget. The decrease stems from the 2007 Medicaid Reform Legislation that projects a loss in sales tax revenues. Sales tax distribution is budgeted in the general fund revenues with \$583,293 allocated for school capital reserve.

Investment earnings are expected to remain low due to the sluggish economy and reduced interest rates. The general fund projection for FY 2010-2011 is \$19,000, a significant decrease from the past five years.

Intergovernmental revenue (unrestricted) is projected at \$1,683,037, a 4.05% decrease from FY 2009-2010 adopted budget. The decrease is mainly due to a reduction in sales and use tax distribution and the General Assembly with-holding of approximately 66% of the beer and wine taxes distribution.

Expenditures

The slow economy and rising cost of living expense causes us to present a very conservative budget. This budget includes only mandated service increases and economically driven increases. No new programs or services are included. The major increases in the budget proposal are: mandated programs with state funding reductions and employee benefit rate increases. New initiatives, program changes, capital projects, departmental requests and capital needs will be discussed during budget sessions.

Education Funding

Education funding constitutes the financial obligation of 15.3% of the general fund budget.

Public Schools

- ❑ **Operating funding** – The Board of Education requested \$2,592,328 in operating funding. This reflects an increase of 3% over the FY 2009-2010 appropriations. The proposed budget funds 97% of the request.

- ❑ **Capital outlay** – The Board of Education requested \$454,950 in capital outlay funding, an increase of \$4,000 over FY 2009-2010 adopted budget. The proposed budget funds \$454,950 or 100% of the request.

Piedmont Community College Funding

- ❑ **Operating funding** – The Community College requested \$266,788 for operations, \$18,460 or 8.86% more than FY 2007-2008 adopted budget. The proposed budget funding for operating funding is 100% of the request.
- ❑ **Capital funding** – In addition to operating expenses, PCC requested \$4,500 for capital expenditures, a \$500 increase over FY 2007-08. The proposed budget funding is 100% of the request.

Debt Service – The County issues debt for major capitalized items and capital projects. The County has excellent bond ratings. During the recent bond refunding process, the ratings were upgraded as follows: Standard & Poor's-A1; Moody's Investor Service – A3; and North Carolina Municipal Council-78.

The Standard & Poor's upgrade is the first 3-notch rating upgrade made in North Carolina and the first in US since 2007.

- ❑ **General Obligation Bonds** – School debt for FY 2010-2011 is \$771,098, a decrease of \$73,402 or 8.69% from FY 2009-2010. The decrease is attributed mainly to the General Obligation Bond refunding. Payments are appropriated from restricted sales and use tax distributions from the North Carolina Department of Revenue.
- ❑ **Historic Courthouse renovation bond** – is included at \$143,916.
- ❑ **Installment debt** – is budgeted at \$195,620, an increase of \$16,522 or 8.5% from the current fiscal year.

Capital Improvements Program

The County's Capital Improvements Plan is a long-range planning element with projects reviewed annually during the budget process. The CIP forecasts significant projects for a five year period. Funding for each fiscal year's CIP currently depends on available financial resources in any given year.

Fund Balance

The Board of Commissioners will continue to make fund balance a top priority. It is proposed that the county continue to move any annual surplus at year-end to fund balance. An adequate fund balance is a significant factor in maintaining a high bond rating.

Summary

The county budget is a planning document. It presents a complex accumulation of county fiscal goals and competitive priorities. This annual process establishes strategic direction by considering and allocating public funding levels as a commitment to service delivery, program support and facility development. There remains a certain limited degree of flexibility to further amend the budget during the fiscal year to exploit emerging opportunities and respond to unforeseen challenges that may not be fully recognized at this time during the annual budget process. Throughout the year the Board of Commissioners will amend the budget to account for such changes. The controlling factor is that expenditures must remain within available revenues and reserves.

By state and federal law, certain expenditures and revenues are controlled by mandatory rules and cannot be modified regardless of external factors. Beyond those mandated service levels, the Board of Commissioners, other elected boards and officials respond to public input with a wide range of services and program initiatives. Setting priorities either directly or indirectly is a reality of the budget process. Decisions made by the Board of Commissioners during review of this budget will establish expected priorities for FY 2010-2011 and beyond.

The demand for services, programs and facilities will generally exceed the availability of resources. The ability to provide any service, program or facility is limited by the willingness of the public to be taxed regardless of the method of taxation imposed.

Acknowledgement

Extensive research and detailed analysis required thoughtful development and an accurate thorough presentation of this budget document reflects the extended effort of many qualified individuals. The process begins early in the year and is not completed until after a final budget is adopted by the Board of Commissioners in June. Special acknowledgement and gratitude is given to the Finance staff and other departments for their exceptional assistance in preparing the budget.

There is no perfect or absolute resolution to the inevitable continuum of issues that county government must address. It is the willingness of people to openly discuss their thoughtful concerns and to compromise towards reaching responsible consensus that makes the ultimate difference. This county's future success will be directly linked to increased involvement by citizens to reach a shared vision of infrastructure improvements that complement both the quality of life and progressive growth.

Kevin B. Howard, County Manager

Respectfully submitted,
Gwendolyn Y. Vaughn, Finance Director

Chairman Ward scheduled a special meeting on Tuesday, May 25, 2010, at 5:00 p.m. to discuss the Proposed Budget for Fiscal Year 2010-2011.

COUNTY SURPLUS PROPERTY

Mr. Kevin Howard, County Manager, requested that the Board declare the 911 truck as surplus property. Chairman Ward moved, seconded by Commissioner Hall to declare the 911 truck as surplus property. The motion carried unanimously.

THE ADJOURNMENT

At 4:30 p.m. Commissioner Hall moved, seconded by Commissioner Travis to adjourn the meeting. The motion carried unanimously.

Wanda P. Smith
Clerk to the Board

George W. Ward, Jr.
Chairman
